GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:5179
ANSWERED ON:20.04.2001
SEBI GUIDELINES FOR BETTERMENT OF STOCK EXCHANGE
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Will the Minister of FINANCE be pleased to state:

(a) whether SEBI has debarred top stock exchange office bearers from trading while holding office;

(b) if so, the details thereof;

(c) whether SEBI has also decided to introduce a code of ethics for directors and functionaries to Stock Exchange;

(d) if so, the details thereof;

(e) whether any improvement has been shown in the stock market after taking these steps; and

(f) if so, the details thereof and further steps being taken by SEBI for betterment of stock exchanges?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI BALASAHEB VIKHE PATIL)

(a) to (d): The Securities and Exchange Board of India (SEBI) has formulated a code of ethics for directors and functionaries of stock exchanges aimed at establishing professional and ethical standards for creating a fair and transparent market place. The salient features of this code of ethics includes
(i) fairness and transparency in dealing with matters relating to the exchange and investors,
(ii) prohibition on dealings in securities in proprietory accounts by elected office bearers such as President, Vice President, Treasurer,
(iii) disclosure of dealings in securities by functionaries and directors of the exchange,
(iv) avoidance of conflict of interest in decision making and

(v) compliance with the regulatory laws and exercising due diligence in the performance of duties.

(e) SEBI has initiated action to implement thecode of ethics. When it is implemented, the code is expected to help towards improving the professional and ethical standards of stock exchanges.

(f) The other measures proposed include, inter-alia, demutualisation of stock exchanges by which ownership, management and trading membership would be segregated from each other. This would help towards:

- further professionalisation of the management of the exchanges and elimination of conflict of interests;

- improving adherence to the best practices of Corporate Governance;

- enhancing the ability of stock exchanges to raise funds from the market to modernise the exchanges and provide better investor service.